



BUDGET COMMITTEE



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Senate Budget Committee Chairman Judd Gregg's Floor Statement Opening Debate on Deficit Reduction Act of 2005 Conference Report

Unofficial Transcript

Senator Gregg: We are now on the Deficit Reduction Act conference report. We have five hours equally divided. I know the Senator from North Dakota wants to speak tonight. Just for the edification of our membership, we will run some time off the clock tonight, I think about two hours, then come back tomorrow and continue the debate and hopefully wrap this up tomorrow.

Mr. President, this bill is the culmination of a lot of work done in the Congress by the President and by members of the Republican Party to try to put some discipline into the fiscal accounts of the federal government. This bill represents the first time in eight years -- *in eight years* -- the federal government has attempted to control the rate of growth of entitlement spending.

Now, people who watch this debate understand this issue. But just to frame it again, the federal government spending is divided into basically three different areas. There's interest on the debt, which we have virtually no control over. There is the discretionary spending, otherwise known as the appropriations process, which means that every year we spend a certain amount of money. And it's really up to us how much we spend. And it's for specific programs. The majority of it goes to defense spending, but other money goes toward education, it goes to environmental issues, it goes to highways. We can change that number arbitrarily from year to year and we do.

The third element of federal spending is called mandatory, or entitlement, spending. This spending occurs as a matter of law, because certain people are in certain situations in their life which allows them to receive a benefit from the federal government. They may be a veteran, they may have served us well and they, therefore, get benefits. They may be a person of low-income who needs assistance or especially a child in a low-income family that needs assistance. They may be a retired citizen who paid into Social Security, gets health care under Medicare or is a low-income retired person who gets health care under Medicaid, especially nursing home care.

These accounts are called entitlements. Entitlements make up the vast majority of federal spending. In fact, discretionary spending only makes up 30% of the federal acts, of which half is defense spending. Entitlements also are the fastest-growing part of the federal government. We know because the Baby Boom generation is going to retire that the spending on entitlements, specifically on Social Security and Medicare and Medicaid, the health care accounts especially, is

going to increase radically over the next generation's life -- over the next 30 years, as the Baby Boom generation begins to retire.

It is estimated today by the Comptroller General that there is a \$44 trillion -- that's trillion with a "T" -- unfunded liability, which means we don't know how we're going to pay for it. This is an obligation already in place to pay primarily for the costs of the health care programs for retired people of the Baby Boom generation.

The practical effect of having that high an obligation out there and unpaid for is that our children are going to have to pay the price for that. And the practical effect of that is that our children and our children's children -- these wonderful young people who work here as Senate Pages -- when they become earners and have kids of their own, are going to have to pay so much in order to pay for programs which are already on the books to support our generation, the Baby Boom generation. They're essentially not going to be able to have as high-quality a life as we've had. They're not going to be able to be as comfortable in sending their kids to college or in buying a car or in buying a home or just doing the day-to-day activities of life. Because they're going to have to pay a huge tax burden to support our generation unless we do something about this.

And that's what this bill is about. For the first time in eight years, the federal government has stepped up and said we're going to try to do something - the Republican side of the aisle basically - we're going to try to do something about this huge burden we're going to put on our children through entitlement accounts...by addressing those accounts.

Now, we have been aggressive in the discretionary side. We have essentially frozen non-defense entitlement spending. But on the entitlement side, it continues to grow at a dramatic rate. So this bill is a step, really -- more than our toe, putting our whole foot up to our ankle, say, in the water -- of trying to control entitlement spending. And it amounts to about a \$39 billion, almost \$40 billion savings in federal spending. If this bill passes, it will reduce the debt of the federal government, which will be passed on to our children, by \$40 billion.

Now, that's a big number. It's a big number in New Hampshire and I know it's a big number in the state of every member of this Senate. In the context of overall federal spending, regrettably, it's not as big a number as I would have liked, but it is still a big step forward on the road toward fiscal responsibility. And it's the first attempt to do this in eight years, and it's the only -- and this is an important point to stress -- the only opportunity any member of this Senate is going to have in this session of this Congress to try to control spending -- to try to reduce the debt of the federal government.

We are going to hear a lot of talk from the other side that says, well, you've got a tax relief bill out there that's being reconciled, too and it's twice the size of the spending restraint here. Well, the tax bill isn't being voted on tonight or tomorrow. The deficit-reduction bill is being voted on tonight or tomorrow. And if you want to reduce the deficit, if you want to reduce the debt of the federal government, if you want to reduce the costs you're going to pass on to our children and our children's children, this is your opportunity to do it.

If you want to vote against the tax relief bill, go ahead. I would note as an aside that the tax relief bill has as its major functions commitments to programs which I think have vast support across this Congress. In fact, I've heard other members on the other side of the aisle say, "why aren't we passing a patch to the alternative minimum tax (AMT), so that 20 million people don't end up falling in the AMT?" That's \$30 billion of the tax bill. "Why aren't we extending the deductibility of state and local tax -- sales taxes?" That's a big chunk of the tax bill. "Why aren't we extending the R&D tax credit, which causes us to create jobs in this country by giving entrepreneurs the opportunity to go out and invest in R&D?" We're hearing from that from the other side of the aisle.

The majority of the items in the tax relief package of \$70 billion are items which have very broad support in this Congress, Democratic and Republican support. So it is a bit of a straw dog -- in fact, it's a very large straw dog, maybe a Newfoundland straw dog -- to claim that the tax bill for some reason, the majority of which is supported on both sides of the aisle, is somehow reducing the impact of this bill on the deficit. The two don't have that much of a relationship and, furthermore, the tax bill already has received broad support on the main elements of it. The only elements at issue are the dividends and the capital gains, which don't even impact this year or next year because that part of the tax relief package doesn't kick in until 2009-2010.

So this is it, folks. This is your one chance as members of Congress, members of the Senate, to actually do something about the debt that we're going to pass on to our children. You have an opportunity to reduce that debt by almost \$40 billion. In addition, I would note, that this is a net number, the \$40 billion. There are initiatives in this bill which are fully paid for, which make a lot of sense and which are pretty good policy. And we decided to put them in after we'd saved money to pay for them.

For example, the Pell Grant program is expanded dramatically for low-income kids. There is a program to encourage low-income children who are especially interested in math and science to be successful in our schools because we know that that's the seed corn for our productivity and our competitiveness as a nation, to promote math and science skills.

There is an expansion of Medicaid to low-income children. So about one million kids today who are low-income, who don't have health coverage, will get health coverage.

There are efforts in this bill to assist the people in the Gulf Coast, significant efforts. It would be very hard, I would think if you were from the Gulf coast, to vote against this bill because there is a tremendous amount of funds being focused to address the needs of the Gulf Coast in the area of education, in the area of Medicaid. Billions. Literally billions of dollars -- all paid for. All paid for.

In addition, there's money for LIHEAP, a billion dollars. Now, those of us from cold regions of this country know that because of the run-up in the price of gas and oil, it's going to be very hard for a number of low-income families to make it through this winter. They're going to have to make some tough choices. So we want to fund the low-income energy assistance program and this bill does it and it pays for it -- pays for it with spending reductions.

And in addition, there's some fairly significant and very positive welfare reform language in here which the governors are asking for, a bipartisan governorship is asking for it, and Medicaid reform

language which has very strong support from the governors -- giving the governors more flexibility in allowing them to deliver more services to more low-income people at less cost. So this bill has a lot of good policy in it, as well as saving \$40 billion.

So this is the last opportunity to cast a vote to save \$40 billion and not pass that debt on to our children. So I think it's a positive bill and I hope my colleagues will support it. And I yield the floor at this time.